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THESIS

FOREIGN AID: ARE WE INCREASING STABILITY?

by

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December 2016

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FOREIGN AID: ARE WE INCREASING STABILITY?

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ABSTRACT

In the contemporary environment, in which fiscal responsibility is a priority, each United States government (USG) organization must do more with less. The Department of Defense (DOD) is compelled to conduct military operations across the globe with fewer service members, and the Department of State (DOS) and the U.S. Agency for International Development (USAID) are both being asked to conduct interventions with less capital, fewer foreign service officers, and fewer field representatives. Expectations concerning positive results have not been commensurately adjusted. This research has identified which sectors of U.S. foreign aid monies were allocated between 2011 and 2015 and what effect aid is having on creating stable sovereign nations and ultimately avoiding the onset of conflict. First, using multivariate regression models, the researchers analyzed which World Development Indicators have the strongest negative correlation with the onset of state internal conflict around the world. Following this analysis, the researchers examined which sectors of foreign aid in DOD, DOS, and USAID have had the most significant correlation to the onset of internal conflict. The models considered the level of violence as well as the cost and number of projects performed in a given country to determine the probability of internal conflict. The results of the research show that the USG is not increasing stability through reducing internal conflict. In fact, it appears the USG is provoking internal conflict through foreign aid. Therefore, it is incumbent on the USG to thoroughly analyze which areas and types of foreign aid should be disbursed to achieve desired stability and reduced internal conflict.

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LIST OF ACRONYMS AND ABBREVIATIONS

AFRICOM	Africa Command
CENTCOM	Central Command
CPA	Comprehensive Peace Agreement
CRS	Congressional Research Service
DOD	Department of Defense
DOS	Department of State
DPRK	Democratic Peoples Republic of Korea
FMF	foreign military financing
GDP	gross domestic product
GLM	generalized linear model
GoSS	Government of South Sudan
HA	humanitarian assistance
IMF	International Monetary Fund
OEF	Operation Enduring Freedom
OIF	Operation Iraqi Freedom
QuODA	Quality of Official Development Assistance
RoL	rule of law
UCDP	Uppsala Conflict Data Program
USAID	United States Agency for International Development
USG	United States Government
WDI	World Development Indicators
WWII	World War II

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I. INTRODUCTION AND BACKGROUND

There is little question that the spectrum of potential U.S. adversaries is both broad and ambiguous. Though there is a level of uncertainty regarding who the next global belligerent will be, it is safe to assume that the United States of America will be one of its primary targets. Why the United States is often designated as the quintessential antagonist of insurgent groups is a hotly debated question but not the question addressed in this research. The United States simply must focus on preparing for the inevitable. That preparation includes but is not limited to having the appropriate U.S. Government (USG) force structure with the right personnel, who have the necessary skills sets and capabilities in the right quantities, conducting the most efficient and effective activities to help avoid direct, kinetic engagement.

In 2008, then-Chairman of the Joint Chiefs of Staff, Admiral Michael Mullen, warned congressional legislators, “we can’t kill our way to victory, and no armed force anywhere, no matter how good” is capable of achieving objectives using only kinetic methods.¹ Chair Mullen recognized that in addition to teamwork and partnerships, the USG needed to apply both the carrot and the stick. The use of foreign aid is a textbook example of the carrot and stick idiom. When implemented effectively, foreign aid can be both the carrot and the stick. To grant foreign aid to an ally or an adversary is a carrot that can be dangled to convince said nation to continue an action that is in the U.S. interests, or to discontinue an action that is contrary to U.S. interests. To withhold foreign aid, even when an ally or an adversary is in most dire need, can be equally as effective in convincing it to begin, continue, or discontinue a particular action or activity. In many ways, foreign aid is akin to a conventional weapon system. While this particular weapon is not as awe-inspiring as a multi-million dollar aircraft carrier or as intimidating as a stealth bomber, we suggest that the purpose of foreign aid should be used similarly as a tool to assist in achieving tactical, operational, and strategic objectives. We disagree holistically and vehemently with the

¹ “Admiral: Troops Alone will not Yield Victory in Afghanistan,” *CNN*, September 10, 2008, <http://www.cnn.com/2008/POLITICS/09/10/mullen.afghanistan/>.

widely held [belief] that foreign aid is an end in itself, carrying its own justification, both transcending, and independent of, foreign policy. In this view, foreign aid is the fulfillment of an obligation of the few rich nations toward the many poor ones.²

Like other “weapons,” the ability to grant or withhold foreign aid is most effective when the United States is the only entity that has the ability to use it. While it would be preferable if the United States and its allies were the only nation states with the foresight, the desire, the ability, and the capability to grant or withhold foreign aid, this is not the case. Adversaries of the United States also have the ability to disseminate foreign aid, and their ultimate goals may run contrary to U.S. goals and objectives. Unlike military technologies, such as drones today or the Henry repeating rifle of the American Civil War or the Battle of Little Big Horn, wherein a particular capability was controlled primarily by one side and not the other, today’s conflicts are different. The ability for any nation state or non-state actor to implement foreign aid is ubiquitous. To implement foreign aid only requires that one has something to give to a group of individuals that themselves cannot acquire, or at least adequately acquire or provide, for themselves. When we think about U.S. foreign aid, one might have visions of huge pallets of emergency rations, blankets, and potable water, millions of dollars in economic aid, or the millions of dollars spent annually by the United States Agency for International Development (USAID). All of these are excellent examples of U.S. foreign aid policy and implementation; however, all foreign aid need not be so large in scale or visibility or as obvious.

While the United States may have more money to spend on foreign aid than some other countries, this does not imply that other countries, particularly potential adversaries, do not have anything to spend on foreign aid or assistance. There are also countries such as the People’s Republic of China, for example, which have intent and policy vastly different than that of the United States, with as much or more money to allocate toward building relationships through foreign assistance. Finally, it is not only how much aid is provided but how it is applied, to whom, and in what capacity. Similar to many other

² Hans J. Morgenthau, “A Political Theory of Foreign Aid,” *American Political Science Review* 56, no. 2 (1962): 301–309.

disciplines, including but not limited to training, platforms, and project implementation, it is not only a product of monies allocated, but how and where, and more specifically, in which categories it is apportioned that matters most. Put another way, foreign aid need be measured by effectiveness, not simply by the ability to implement a particular activity.

Similar to a kinetic weapon system, foreign aid has a long history and has changed dramatically throughout history. Foreign aid has morphed dramatically since its implementation during the Marshall Plan, as have opinions on the use and effectiveness of foreign aid. Just as with kinetic weapons, foreign aid cannot and should not be used as a standalone measure. As with the concussion grenade (more commonly known as a flash-bang), aid is not an effective tool unless followed by a heavily armed stack of practiced soldiers well trained on how to breach, enter, and clear a room. Foreign aid is not a panacea, nor is it something to be disseminated like a psychological operations leaflet drop or Tinkerbelle's fairy-dust—dropped with the hope that it lands on or near its intended target. Rather, it is imperative that foreign aid delivery is well planned, precise, and coordinated and that it is then disseminated to or through an implementing partner. Delivery of foreign aid should be to be executed with the precision of a surgeon using a scalpel and monitored with the meticulousness of a comptroller analyzing a financial report.

There have been many examples of ineffective foreign aid distribution whereby millions of dollars are allocated to assisting a nation state in need, or a non-state actor, only to see an already poor situation deteriorate into even direr conditions. Worse yet, there are also examples in which of millions of dollars in foreign aid, designed to help those in need, is pilfered by those charged with managing and distributing it. Examples include Mogadishu Somalia in 1993 and more recently numerous convoys looted by military members of the Sudan People's Liberation Movement. According to Transparency International, the subject matter experts in the fight against corruption, "...the scale of the issue is huge. Sixty-eight percent of countries worldwide have a serious corruption problem."³ It is as a result of some of these instances that there has

³ Transparency International: The Global Coalition Against Corruption, "Corruption Perception Index 2015." cpi2015.

been a recent shift in the way foreign aid is perceived. According to Summers in a *Washington Post* opinion piece,

The motivation behind the current rethinking on aid is aptly summarized by Lawrence Summers: ‘I have seen close to a dozen cases over the past quarter century where the precedent of the Marshall plan was invoked. None was as successful as the original. This reflects the truth that functioning institutions cannot be imposed from outside. Countries and their peoples shape their own destinies.’⁴

Summers and others have asserted that while aid can serve as an extremely effective weapon, it is not useful in all circumstances. Summers alludes here to the fact that poor or ineffective financial management, lack of functional institutions, and corruption can be inhibitors to granting financial aid.⁵ Additionally, some potential aid recipient nation states may not acquiesce to the desired end state of the aid grantor. In these cases, foreign aid granted would be wasted money and an alternate method for convincing the potential recipient may have to be identified and implemented—perhaps via kinetic action or another non-kinetic measure.

While it is preferable that those countries receiving foreign aid are democratic countries that will provide impartially for every citizen of the country, this is not always the case. Often, foreign aid is given as a hedge against actual and potential adversaries in the region or to a nation state that does not necessarily share our American ideals or values but that is nonetheless a better ally and alternative to other less friendly nation states in the region.

⁴ Lawrence Summers, “Lawrence Summers: How to Provide the Best Aid to Ukraine,” *The Washington Post*, March 9, 2014, https://www.washingtonpost.com/opinions/lawrence-summers-how-to-provide-the-best-aid-to-ukraine/2014/03/09/30adfb4-a623-11e3-84d4-e59b1709222c_story.html.

⁵ Ibid.

II. LITERATURE REVIEW

To adequately analyze and determine the appropriate initiatives and activities of USG intervention and how foreign aid can assist in complementing kinetic activities and/or serve as a prevention tool to direct, hostile action, the executors of foreign aid must first understand the nature of future conflict will resemble. There are two general post-Cold War philosophies regarding the anticipated nature of future conflict; each is distinctly different, and each is plausible. Authors Hans Binnendijk and Richard L. Kugler characterize the two distinct and contrasting philosophies as the neo-Kantian and the neo-Hobbesian theories on the future of conflict.⁶

The neo-Hobbesian philosophy is much akin to the realist perspective, and its historical father is Hans Morgenthau.⁷ More recently, global security officials, such as Zbigniew Brzezinski and current U.S. Ambassador to the United Nations, Samantha Power, have championed the neo-Hobbesian philosophy. The neo-Hobbesian point of view paints a distinctly different picture than the one described by the neo-Kantians; specifically, it describes a significantly more “realpolitik” picture wherein each sovereign country’s pursuit of power, even at the expense of a fellow democratic power, let alone, a non-democratic nation state.⁸ Supporters of the neo-Hobbesian theory describe an international system that is fraught with chaos and anarchy. Additionally, they cite historical examples such as the issues in the Balkans, in numerous areas throughout Africa in the last two decades, and more recently in Russia, Iraq, Afghanistan, Syria, Sudan, and South Sudan. Whether over resources or borders or between ethnic majorities and minorities, both relatively minor and major conflict has been a persistent element in the global arena before and after the end of the Cold War. Arguably, the number of conflicts has grown since the end of the Cold War. The intensity of most of those

⁶ Hans Binnendijk and Richard L. Kugler, *Seeing the Elephant: The U.S. Role in Global Security* (Washington, DC: Center for Technology and National Security Policy, National Defense Press, 2006).

⁷ Hans J. Morgenthau, *Power and Transcendence* (Lanham, MD: Lexington Books, 2002).

⁸ Zbigniew Brzezinski, *Strategic Vision: America and the Crisis of Global Power* (New York: Basic Books, 2012); Samantha Power, *A Problem from Hell: America and the Age of Genocide* (New York: Basic Books, 2002).

conflicts may not be comparable to the state-on-state (or states-on-states) engagements experienced in World War I or World War II. However, the consequences for those nations, their respective militaries, and their respective populaces' do not differ greatly. With the rise of direct connectivity in the form of near instant air travel and the instantaneous ability to connect indirectly, and inconspicuously, through the use of information technology, insurgent ideology and sentiment can spread and gain momentum at a pace not previously possible.

On the other hand, the neo-Kantian theorists, such as Samuel Huntington and Francis Fukuyama, cite the post-Cold War successes in regions such as Eurasia and Latin America as archetypal examples of a near-universal ideology and desire for peace, security, and democracy.⁹ Unfortunately, the fervor with which anti-West and/or anti-American sentiment has spread since the end of the Cold War is as astonishing as it is troublesome. While there are some nation states and individuals that fall somewhere between direct and ardent support for one side or the other, the chasm between Western ideology and anti-Western sentiment has never been more expansive. This polarization between the two parties combine with the repercussions of not organizing quickly and efficiently to engage effectively could prove catastrophic for the United States. While there are some weapon systems, initiatives, and activities currently being conducted that need be sustained, there are others that need be terminated.

Regardless of which post-Cold War theory people subscribe to, most would agree that avoiding declarations of war and major combat operations, as well as the need to become a coalition partner in an allies' military conflicts, is most certainly preferable to engaging in conflicts. Declarations of war and the activities that follow are time consuming, expensive, and normally include the loss of life of American service members. The decision of civilian and military government officials to intervene militarily is always a difficult one and is never undertaken casually. The process of averting major conflict runs the gamut from diplomacy, utilization of soft and hard power, deterrence techniques, civilian and military engagement with fellow nation states,

⁹ Samuel Huntington, *The Clash of Civilizations and the Remaking of World Order* (New York: Simon and Schuster, 1996).

as well as appropriate application of both the carrot and the stick. All of these activities and the myriad of additional activities characterize how the Department of Defense views Phase 0 operations and may assist in avoiding major conflict and engaging in war. Phase 0, also commonly referred to as shaping operations, are defined in Joint Publication 3-0 as

activities [that] are executed continuously with the intent to enhance international legitimacy and gain multinational cooperation by shaping perceptions and influencing adversaries' and allies' behavior; developing allied and friendly military capabilities for self-defense and multinational operations; improving information exchange and intelligence sharing; providing U.S. forces with peacetime and contingency access; and mitigating conditions that could lead to a crisis.¹⁰

In light of the aforementioned rationale for assistance, regardless of which side of the argument someone falls, it is important to address the fact that the United States is currently in an era of atrophy. While the U.S. gross domestic product (GDP) has continued to climb, so has the national debt. Decade-long wars in both Afghanistan and Iraq have taken a financial toll as well as a toll on the military. The U.S. military, which ballooned in the first decade of the twenty-first century, is currently reducing force structure to pre-Operation Enduring Freedom (OEF) and Operation Iraqi Freedom (OIF) levels. Budgets are shrinking and so are the number of military units as are the number of active duty service members in those units. The USG has reduced its foreign aid from approximately \$47.5 billion in 2011 to approximately \$34 billion planned for 2017.¹¹ Every office, from the Department of Defense to USAID and in between, is being asked to do as much or more with fewer funds fewer personnel and with minimal adjustment to the results they are expected to complete or the number of engagements they are executed to complete. It is imperative that every office be good stewards of American taxpayer dollars, especially now, the following question must be asked: Is the USG allocating funds and conducting foreign aid activities in support of the right sectors to insulate assisted countries from the onset of internal conflict?

¹⁰ Joint Chiefs of Staff, *Joint Operations* (Joint Publication 3-0) (Washington, DC: Joint Chiefs of Staff, 2011).

¹¹ Foreign Assistance, "Beta," accessed October 7, 2016, foreignassistance.gov/explore.

From a philanthropic perspective, the amount of money that the United States allocated to 142 of the 188 countries identified as sovereign states by the International Monetary Fund (IMF) in 2014 is admirable.¹² Regrettably, foreign aid is not designed, or perhaps more accurately should not be designed, to meet philanthropic goals. The purpose of foreign aid, assistance and intervention activities are “to support global peace, security, and development efforts, and provide humanitarian relief during times of crisis.”¹³ Though a hotly debated topic to some, author Nicholas Eberstadt argued that the purpose of aid “should, without apology, augment American political power throughout the world...and support the postwar liberal international economic order.”¹⁴

In fiscal year 2014, the United States spent approximately \$35 billion in foreign aid and other general intervention activities.¹⁵ Where the money actually goes may come as a surprise to many. For instance, 10 percent of the foreign assistance budget went to Israel, just under 5 percent was allocated to activities and engagements with the Government of Afghanistan, and the average amount of foreign aid that a recipient country received was just less than \$250 million.¹⁶ This number does not account for the millions of additional dollars spent on security assistance activities, including but not limited to, deployment related training engagements, subject matter expert exchanges, and projects facilitated by donations made to international and non-governmental organizations.

According to an article by Raul Amoros,

Of the \$35 billion referenced in the report, \$8.4 billion (24%) was used towards global health programs, \$5.9 billion (17%) was used for foreign military financing, \$4.6 billion (13%) was used for economic support, and \$2.5 billion (7%) was for development assistance.¹⁷

¹² Ibid.

¹³ Ibid.

¹⁴ Nicholas Eberstadt, “Foreign Aid and American Purpose,” *Foreign Affairs*, Summer 1989, <https://www.foreignaffairs.com/reviews/capsule-review/1989-06-01/foreign-aid-and-american-purpose>.

¹⁵ Raul Amoros, “The United States Spends \$35 Billion on Foreign Aid...but Where Does the Money Go?,” *Mondoweiss*, November 4, 2015, Mondoweiss.net/2015/11/spends-billion-foreign/.

¹⁶ Ibid.

¹⁷ Ibid.

The remaining 40 percent of foreign assistance was not necessarily allocated to a specific sector and falls under a category of its own best described as general aid. This may include monies allocated to monetary assistance to respond to natural disaster and emergent manmade disasters. Figure 1 represents where and how much U.S. foreign aid was spent in 2015.



Figure 1. Where and How Much U.S. Foreign Aid Is Spent¹⁸

According to author Amoros, in 2012–2014 approximately 76 percent of nations across the globe received some amount of foreign aid from the United States and the majority of those nations were either in the Central Command (CENTCOM) or Africa Command (AFRICOM) areas of responsibility.¹⁹ Additionally, Amoros goes on to state that the United States donated an estimated \$103 billion dollars in foreign assistance from

¹⁸ Ibid.

¹⁹ Ibid.

2012–2014, and it will likely continue to donate similar amounts, allocated similarly by both geographic location and sector.²⁰

Though foreign aid and assistance is not a physical instrument designed to inflict pain, damage, or injury to an adversary, it is nonetheless a tool that can be as effective, or perhaps even more so, than any kinetic weapon. It is a tool that has been used often over hundreds of years with great effectiveness. When used effectively, foreign aid can inhibit pain and help mitigate physical or psychological damage or injury to an ally or an adversary; conversely, the decision not to use it can prolong each. The USG’s own Foreign Assistance website describes foreign aid as,

aid given by the United States to other countries to support global peace, security, and development efforts, and provide humanitarian relief during times of crisis. It is a strategic, economic, and moral imperative for the United States and vital to U.S. national security.²¹

Though there are many examples of this activity, the United States’ most significant foray into this type of activity came on the heels of World War II in the form of the Marshall Plan. According to the George C. Marshall Foundation, the Marshall Plan was initiated and implemented to address a Europe that lay devastated and atrophied by years of significant conflict during WWII.²² With millions of individuals killed and wounded, industrial and residential centers in ruins, the transportation network and most physical infrastructure in shambles, intervention on behalf of the United States was necessary to begin rebuilding Europe and ensuring that it was revived.²³ The inability of Europe to recover in a timely would likely have had significant negative global impacts in a world that was becoming increasingly interconnected. Finally, had the United States been unwilling to provide aid or unable to provide assistance effectively, it might have created a power vacuum and general instability on the continent and in the region.

²⁰ Ibid.

²¹ Foreign Assistance, “Beta.”

²² George C. Marshall Foundation, “The Marshall Plan,” accessed October 15, 2016, <http://marshallfoundation.org/marshall/the-marshall-plan/history-marshall-plan/>.

²³ Ibid.

The overarching reasons identified above such as global peace, security, and development have a myriad of more specific tenets, including but not limited to combating terrorism, alleviating human suffering and famine, bolstering the capacity of allied governments, and promoting democracy. From a USG perspective, elected officials and USG employees should be able to agree that in most cases, our foreign assistance activities should not be strictly philanthropic in nature. For example, though there is a philanthropic need, the United States does not allocate foreign aid to the Democratic Peoples Republic of Korea (DPRK). While a nongovernmental organization (NGO) or implementing partner providing the foreign aid intervention may have strictly philanthropic intentions, at least part of the USG's intent in providing capital for intervention should have the intended consequence of providing some type of benefit to the United States and its ultimate objectives in the village, country, or the region. With the possible exception of interventions resulting from exigent natural disasters or acute famine, we implore the foreign aid executors to use aid and assistance as another tool to influence allies and neutral countries to concur with U.S. objectives and affirm U.S. desired end states. Reciprocally, conducting the necessary analysis to effectively determine when not to provide or to withhold foreign aid or assistance can be as or even more effective than providing aid. It is in effectively determining when to withhold and when to grant foreign aid that we propose that aid can serve as one of the most effective weapons in the proverbial arsenal.

In the current era of budgetary atrophy and the need for increased fiscal responsibility, we contend that it is more imperative than ever that foreign assistance money is allocated efficiently and effectively. Even more importantly than how efficient and effective foreign aid allocations are, it is imperative that we ensure that aid allocations are not having the exact opposite as its desired effect and ultimate outcome. While similar research questions have been asked previously, most have revolved around

stimulating growth in the recipient country, not increasing stability with the intent of avoiding the onset of conflict.²⁴

Among the previous studies, there was generally broad agreement among the authors about the effectiveness of foreign aid "...that giving a large amount of financial aid to a country with poor economic institutions and policies is not likely to stimulate reform, and in fact may retard it."²⁵ For instance, Burnside and Dollar conclude that foreign aid "...had a positive effect on growth in developing countries with significantly better than average institutions and policies, whereas aid had not positive effect in countries with average policies."²⁶ Joppe de Ree and Eleonora Nillesen found that "...increased aid reduces civil war duration, an effect that they attribute to the government's ability to increase military spending and thus deter rebellion."²⁷ Henrik Hansen and Finn Tarp in their article entitled "Aid Effectiveness Disputed," suggest that the effectiveness of aid is not dependent on effective institutions or policies.²⁸ In addition, Burnside and Dollar found that the intuitive assumption that "corrupt, incompetent government is not going to use aid wisely and outside donors are not going to be able to force it to change its habits."²⁹ In the same vein, others agree with the position of the *Economist*, which suggests that the link between growth and stability and foreign aid received is a tenuous one at best.³⁰

²⁴ Craig Burnside and David Dollar, *Aid, Policies, and Growth: Revisiting the Evidence* (Paper No. O-2834) (Washington, DC: World Bank, 2004), <http://www.cgdev.org/doc/event%20docs/MADS/Burside%20and%20Dollar%20-%20Aid%20Policies%20and%20Growth-Revisiting%20the%20Evidence.pdf>; William Easterly, Ross Levine, and David Roodman, *New Data, New Doubts: A Comment on Burnside and Dollar's "Aid, Policies, and Growth" (2000)* (NBER Working Paper No. 9846) (Washington, DC: National Bureau of Economic Research, 2003); Patrick Guillaumont and Lisa Chauvet, *Aid and Performance: A Reassessment* (Washington, DC: World Bank, 1999), <http://siteresources.worldbank.org/INTPOVERTY/Resources/WDR/stiglitz/Guillau3.pdf>.

²⁵ Burnside and Dollar, *Aid, Policies, and Growth*.

²⁶ Ibid.

²⁷ De Ree, Joppe, and Eleonora Nillesen. "Aiding Violence or Peace? The Impact of Foreign Aid on the Risk of Civil Conflict in Sub-Saharan Africa." *Journal of Development Economics* 88, no. 2 (2009): 301–313.

²⁸ Henrik Hansen and Finn Tarp, "Aid Effectiveness Disputed," Munich Personal RePEc Archive, 1999, <https://mpra.ub.uni-muenchen.de/62290>.

²⁹ Burnside and Dollar, *Aid, Policies, and Growth*.

³⁰ Gabarone and Lusaka, "How to Make Aid Work," *Economist*, June 24, 1999, <http://www.economist.com/node/215635>.

III. THEORY

The initial intent of donating, or perhaps more accurately delivering foreign aid, was to “alleviate poverty and promote growth.”³¹ Countries began doing so before there was compelling evidence that there was an advantage to the donating nation.³² In the article entitled “Who Gives Foreign Aid to Whom and Why?,” authors Alberto Alesina and David Dollar found that there is “considerable evidence that the direction of foreign aid as much by political and strategic considerations, as by the economic needs and policy performance of the recipients.”³³ This trend has been even more observable in recent years and is ubiquitous among all donors; the United States is no exception. As the United States does not simply provide foreign aid for purely philanthropic reasons, we must determine whether or not delivering foreign aid help us achieve our desired end state in a country or region, and if so, to what degree. Does foreign aid most efficiently assist the United States in reaching our intent and goals or could these goals be reached by other means?

Advocates of current United States foreign aid policy historically point to Israel as the quintessential example of the importance, utility, and value of disseminating foreign aid. Israel receives approximately \$3.1 billion each year in straight foreign aid from the United States,³⁴ and this does not include the many millions in additional funding in the form of foreign military financing (FMF). According to a July 2015 Congressional Research Service (CRS) publication, “Israel is the largest cumulative recipient of U.S. foreign assistance since World War II. To date, the United States has provided Israel \$124.3 billion in bilateral assistance.”³⁵ While this amount is inclusive of all types of foreign assistance, including FMF, Israel seems a fitting recipient to determine the

³¹ Peter Boone, *Politics and the Effectiveness of Foreign Aid* (NBER Working Paper No. 5308) (Cambridge, MA: National Bureau of Economic Research, 1995), 1.

³² Ibid.

³³ Alberto Alesina and David Dollar, “Who Gives Foreign Aid to Whom and Why?” *Journal of Economic Growth* 5, no. 1 (2000): 33–63.

³⁴ Foreign Assistance, “Beta.”

³⁵ Jeremy M. Sharp, *U.S. Foreign Aid to Israel* (Washington, DC: Congressional Research Service, 2015).

effectiveness of the allocated billions of dollars of aid. Though it is outside the scope of this thesis, it should be noted that neighboring Palestine receives no foreign aid monies from the United States.

We suggested earlier that aid is often allocated to countries as a hedge against perceived or actual adversaries in a particular region. It is even preferable to allocate foreign aid to a nation-state that does not necessarily share our American values or ideals, but is nonetheless a better ally to the United States as opposed to other less friendly nation-states in the region. The relationship between the United States and Israel may fit into this category, especially in the last couple of decades of the United States' tenuous relationships with Iraq, Syria, Libya, Iran, Afghanistan, and Yemen. The aforementioned CRS publication points to

strong bilateral relations based on a number of factors, including robust domestic U.S. support for Israel and its security; shared strategic goals in the Middle East; mutual commitment to democratic values; and historical ties dating from U.S. support for the creation of Israel in 1948. U.S. foreign aid has been a major component in cementing and reinforcing these ties.³⁶

The relationship between the United States and Israel seems to be advantageous and the allocation of foreign aid appears to have a positive effect on Israel. Israel has been primarily weaned off from a significant amount of the economic assistance that it received in recent decades.³⁷ Israel is a relatively stable sovereign nation, currently ranking 69th most unstable nation state with an *elevated warning* on the Fragile States Index,³⁸ but comparatively, it is one of the most stable nation-states in the region. For many years, U.S. economic aid helped subsidize a lackluster Israeli economy, but since the rapid expansion of Israel's high-tech sector and overall economy in the 1990s (sparked partially by U.S.-Israeli scientific cooperation), Israel has been considered a fully industrialized nation.³⁹ Israel is a good example of foreign aid effectiveness, though

³⁶ Ibid.

³⁷ Ibid.

³⁸ Fund for Peace, "Fragile States Index 2016," 2016, <http://fsi.fundforpeace.org/rankings-2016>.

³⁹ Sharp, *U.S. Foreign Aid to Israel*.

results were achieved at a high monetary cost. This is further supported by comparing the United Nations General Assembly voting records of the United States and Israel. As an example, of 70 votes in 2015, Israel voted with the United States 92.9 percent of the time, the same frequency as our northern neighbor Canada which receives little to no aid, and nearly 10 percent more than staunch American ally, Australia.⁴⁰

While Israel serves as a relatively good example of foreign aid effectiveness, foreign aid to Israel only accounts for approximately 10 percent of the \$34 billion dollars the United States anticipates spending in 2017.⁴¹ The argument can be made that the monies allocated in foreign aid to Israel is money well spent but the effectiveness of the remaining \$30 million dollars in foreign aid monies is considerably less certain. Israel notwithstanding, there are an additional 139 countries that received some amount of foreign (economic) aid in 2014.⁴² Countries of note topping that list in 2013 were Afghanistan at \$2.65 billion and the small nation state of South Sudan, which at the time was a burgeoning democracy, nearly \$600 million.⁴³ These two foreign aid recipients and many of the other 137 nation states appear to be less clear examples of the effectiveness of U.S. foreign aid allocations.

The Center for Global Development prepares an annual brief entitled the Quality of Official Development Assistance (QuODA), which measures the quality of aid allocated by donor countries based on 31 indicators. According to a 2014 report from Center for Global Development, “The indicators are grouped into four dimensions associated with effective aid: maximizing efficiency, fostering institutions, reducing the burden on partner countries, and transparency and learning.” In addition, it explains, “the 2014 edition finds that donors are overall becoming more transparent and better at fostering partner country institutions but that there has been little progress at maximizing

⁴⁰ Jewish Virtual Library, “United Nations: Voting Coincidence with the United States,” last modified July 2016, <http://www.jewishvirtuallibrary.org/jsourc/UN/votetoc.html>.

⁴¹ Amoros, “The United States Spends \$35 Billion on Foreign Aid.”

⁴² Ibid.

⁴³ Foreign Aid Explorer, “USAID,” July 27, 2015, <https://explorer.usaid.gov/aid-dashboard.html#2013>.

efficiency or reducing the burden on partner countries.”⁴⁴ As for the United States, the QuODA found that its performance was mediocre and that there were significant improvements that could be implemented. The area in which was in most need of potential transformation is the U.S. tendency not to contribute to multi-lateral engagements and coordinated missions.⁴⁵ Adding to the relatively low ranking of U.S. foreign aid effectiveness was the fact that it tends to spend more than most countries to recipient countries that have poorer governance and allocated monies to more recipient countries than any other donor-country.⁴⁶

There is no better example than the newest country on the globe, South Sudan, to elucidate the potential negative effects, or at least lack of positive effects, of significant foreign aid allocation. South Sudan is located in East Africa but sits very near the center of the continent. South Sudan gained its independence from the country of Sudan in July of 2011, and this effectively put an end to the longest-running civil war on the continent of Africa.⁴⁷ The United States held a significant interest in seeing South Sudan succeed and prosper. Moreover, the United States had been a key participant in the 2005 Comprehensive Peace Agreement (CPA), which culminated in South Sudan independence and succession from Sudan. The newly elected president, Salva Kiir Mayardit, and other government officials appeared dedicated to instilling democracy as its form of government. The relationship between the United States and South Sudan was a strong one, and South Sudan was to be the shining model of democracy on the African continent and an example to other nations in the region. South Sudan had significant resources in the form of oil in the Abeyi region and received hundreds of millions of dollars in foreign assistance from the United States as well as from other countries. In spite of the millions of dollars received in foreign aid, South Sudan experienced

⁴⁴ Nabil Hashmi, Nancy Birdsall, and Homi Kharas, *The Quality of Official Development Assistance* (Washington, DC: Center for Global Development, 2014), <http://www.cgdev.org/publication/ft/quality-official-development-assistance-2014>.

⁴⁵ Ibid.

⁴⁶ Ibid.

⁴⁷ “South Sudan Country Profile,” *BBC*, August 2, 2016, <http://www.bbc.com/news/world-africa-14069082>.

significant instability since President Kiir dismissed then vice president, Riek Machar, in December 2013—a mere 18 months after independence.

In the nearly three years following the onset of conflict in South Sudan, an estimated 2.4 million people have been displaced. Though it is difficult to determine precise estimates, United Nations officials surmise that at least 50,000 individuals have been killed, while other agencies believe that this number could be a gross underestimate.⁴⁸ Though the United States and other donors are critical of some of the tactics the Government of South Sudan (GoSS) has employed to quell the ongoing civil war, foreign assistance has continued to pour in. While many nations continue to allocate foreign assistance to South Sudan, the United States remains the single leading donor “and provides significant humanitarian assistance to the hundreds of thousands of South Sudanese citizens displaced or otherwise affected since the start of the crisis.”⁴⁹ It also continues to help the GoSS provide basic services to citizens; to promote effective, inclusive, and accountable governance; to diversify the economy; and to combat poverty.”⁵⁰

Department of State officials propose that

Increasing stability in South Sudan will require strengthening core institutions and governance processes to make them more inclusive, responding to the expectations of the population for essential services and improved livelihoods, and containing conflicts and addressing the grievances behind them.”⁵¹

However, even with nearly \$2 billion obligated by the United States to South Sudan since 2012, and 75 percent of those funds spent after the onset of violence, the situation has only continued to deteriorate. As recently as mid-October 2016, GoSS forces were

⁴⁸ United Nations Office for the Coordination of Humanitarian Affairs, “South Sudan,” accessed October 15, 2016, <http://www.unocha.org/south-sudan>; Fleur Launspach, “UN: Tens of Thousands Killed in South Sudan War,” *Al Jazeera*, March 3, 2016, <http://www.aljazeera.com/news/2016/03/tens-thousands-killed-south-sudan-war-160303054110110.html>.

⁴⁹ U.S. Department of State, Bureau of African Affairs, “Fact Sheet: U.S. Relations with South Sudan,” October 6, 2016, <http://www.state.gov/r/pa/ei/bgn/171718.htm>.

⁵⁰ Ibid.

⁵¹ Ibid.

involved in heavy fighting in Malakal, South Sudan,⁵² and while many were likely rebels, it is almost inevitable that others were simply South Sudanese residents of the wrong tribe, in the wrong place, at the wrong time. This story plays out over and over throughout the country of South Sudan, and no amount of foreign aid is going to change the direction that the country is currently going. We would suggest that U.S. foreign aid allocated to nations with politics divided along ethnic lines and in the throes of an ethnic civil war—like South Sudan—in addition to being ineffective, potentially perpetuates the ability of the state to continue its activities. We understand that it is the responsibility of the state to monopolize the ability to use violence and protect its people and the state itself. We suggest that appropriate analysis must be conducted to determine which nation states we support with our foreign aid, when allocating that foreign aid is a good investment, and when to stop terminate assistance.

In the case of South Sudan, we do not necessarily propose that the desire to support it at independence was unwarranted, nor perhaps was it even unwarranted continued support upon the onset of conflict. However, at this point, South Sudan appears to be a sinking ship, and the government has perpetuated many atrocities. Countries with insufficient capital cannot afford to maintain the monopoly on the use of force and fight legitimate or illegitimate threats. South Sudan received approximately \$1.4 billion in 2013,⁵³ and just under \$400 million came from the United States.⁵⁴ A legitimate concern of donor countries should be if their monies and activities offset monies that the central government would otherwise have to spend, what is the government doing with the funds that are not allocated to interventions? It is imperative that donor aid does not assist a countries ability to continue to perpetuate atrocities. This is a legitimate concern in South Sudan, and donors must ensure that their interventions designed to mitigate suffering do not ultimately prolong conflict and suffering. If it is determined that this is the case in

⁵² Denis Dumo, “Fighting Around South Sudan Town of Malakal Kills 56: Government,” Reuters, October 16, 2016, <http://www.reuters.com/article/us-southsudan-violence-idUSKBN12G0WV>.

⁵³ Global Humanitarian Assistance, “South Sudan: Key Figures 2013,” 2013, www.globalhumanitarianassistance.org/countryprofile/south-sudan.

⁵⁴ Inside Gov, “How Much Money Does the U.S. Give to South Sudan?,” accessed October 15, 2016, Us-foreign-aid.insidegov.com/q/198/1590/How-much-money-does-the-U-S-give-to-South-Sudan.

South Sudan, or any other country to which foreign aid is allocated, a change in type of intervention or how it is implemented is warranted. Finally, when and if a change in intervention and implementation is deemed warranted, it is imperative that donors and government officials alike prepare for what authors de Ree and Nillesen refer to as “aid shock”. Aid shock refers to potential shift of power between rebels and the sovereign government associated with reducing or terminating aid, as well as the response from those individuals receiving aid.⁵⁵ De Ree and Nillesen are not the only researchers that have attempted to address some of the potential issues associated with terminating aid. A team of five authors from Harvard and Brigham Young Universities addressed the issue in their article “Foreign Aid Shocks as a Cause of Violent Armed Conflict” and found that “severe decreases in aid revenues—[can] inadvertently shift the domestic balance of power and potentially induce violence.”⁵⁶ Reinforcing this position in an *International Studies Quarterly* article, author Neil Narang argues “that aid can inadvertently increase each combatant's uncertainty about the other side's relative strength”⁵⁷ thereby potentially prolonging conflict. Ambiguity regarding the amount of aid a recipient might receive and potential drastic reductions in aid allocations can potentially create violence where there is none, provoke it where the grounds are fertile, provide a platform for a rebel cause, and undermine the sovereign government.

⁵⁵ Joppe De Ree, and Eleonora Nillesen, “Aiding violence or peace? The impact of foreign aid on the risk of civil conflict in sub-Saharan Africa,” *Journal of Development Economics* 88, no. 2 (2009): 301–313.

⁵⁶ Richard A. Nielsen et al., “Foreign aid shocks as a cause of violent armed conflict,” *American Journal of Political Science* 55, no. 2 (2011): 219–232.

⁵⁷ Neil Narang, “Assisting uncertainty: how humanitarian aid can inadvertently prolong civil war,” *International Studies Quarterly* 59, no. 1 (2015): 184–195.

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IV. DATASETS AND METHOD

A. DATASETS

Research for this project used six datasets to formulate the results. The World Development Indicators (WDIs) provided information regarding country population, gross domestic product (GDP), education levels for those 15 years and younger, government effectiveness, the rule of law estimate, the poverty headcount ratio at national poverty line as a percent of the population, the total aid disbursement for general environment protection, the total aid disbursement for basic health, and polity. The WDIs were selected based on their relationship to the categories of foreign aid implemented throughout the world. The WDI dataset was compiled by the World Bank from officially recognized international sources and last updated on May 2, 2016.⁵⁸

The second dataset used was the Uppsala Conflict Data Program (UCDP). It measures the onset of conflict from 1960–2015. The UCDP has been collecting data since 1980 and defines conflict as a minimum of 25 battle related deaths in a single year as an active conflict country.⁵⁹ The UCDP dataset is internationally recognized and is becoming the standard for use in armed conflict research.

The third dataset came from the Center for Systemic Peace and included polity scores. This dataset records “annual, cross-national, time-series and polity-case formats coding democratic and autocratic “patterns of authority” and regime changes in all independent countries with total population greater than 500,000 in 2015.”⁶⁰ This variable measures state democratic levels ranging from autocracies at the low end of the scale with -10 to democracies at the high end of the scale with 10. This dataset was used to create a control variable of polity for each of the models.

⁵⁸ World Bank, “World Development Indicators,” last modified May 2, 2016, <http://data.worldbank.org/data-catalog/world-development-indicators>.

⁵⁹ Erik Melander, “Uppsalla Conflict Data Program—An Overview,” Uppsala University, accessed May 25, 2016, http://www.pcr.uu.se/research/ucdp/program_overview/.

⁶⁰ Center for Systemic Peace., “INSCR Data Page.” 2014. Accessed November 26, 2016. <http://www.systemicpeace.org/inscrdata.html>.

The final three datasets were compilations of foreign aid executed by the Department of Defense (DOD), Department of State (DOS), and USAID. These databases were retrieved from the Foreign Assistance database, which collects information quarterly from each of the U.S. government agencies implementing foreign aid to ensure foreign aid spending transparency.⁶¹ Each organizational dataset was scoped down to the country in which the foreign aid was implemented, the year it was implemented, the foreign aid category, and how much was spent in U.S. dollars on each project. There are nine categories of foreign aid: peace and security, democracy, human rights and governance, wealth, education and social services, economic development, environment, humanitarian assistance, program management, and multi-sector. These categories include, but are not limited to, projects such as agricultural development projects to increase economic development or building schools and hospitals to address education levels and health concerns, such as mortality rates.

B. METHOD

The research relied on running multiple regressions with the use of a statistical programming language called “R.” The software allowed the researchers to compile multiple datasets into one and examine the regression results. The research first identified the the variables with the highest significance to stability and then applied those variable to the foreign aid models.

1. Stability Indicators

The researchers chose several independent variables to determine their significance in indicating the likelihood of the onset of internal conflict as the dichotomous dependent variable (DV), with a country/year unit of analysis. The researchers used onset of internal conflict as an indicator of stability to help determine whether various factors have promoted stability. The models included covariates measuring population, GDP, education levels, military spending, rule of law, government effectiveness, the poverty ratio at national poverty line, and regime type (polity) in a

⁶¹ Foreign Assistance, “Beta.”

series of logistic regressions to determine the relationship between these independent variables and the onset of internal conflict. The researchers chose these variables as potential indicators for stability. Higher education levels and low poverty are usually common within stable countries. Analyzing these stability indicators provides insight into which indicators have the most significant impact on the stability of a country. The researchers selected poverty ratio, government effectiveness, rule of law, and education as variables that may contribute to the onset of conflict but also similarly match the sum of the categories of foreign aid. Also, the researchers used GDP, total population and polity as control variables in each of the three initial models. Additionally, the researchers created a fourth control variable to measure how many years during the previous five years, a country endured conflict, with a one-year lag behind the years evaluated. This provides the recent history of conflict, not including the current year. This variable allows the researchers to determine how likely a country is to experience conflict in the current year given how much conflict it has endured in the previous five years.

The authors created three different logistic models to test the significance of each of the variables (logistic regression was chosen due to the use of a binary dependent variable). Internal conflict Model 1 included government effectiveness, primary education level, while controlling military spending, GDP, population, and polity as control variables. Model 2 added poverty and included primary education level, government effectiveness, while controlling for military spending, GDP, population, and polity as control variables. Poverty was removed from model 2 to determine if primary education became a more significant variable while holding the other variables constant. Model 3 removed poverty but added rule of law and included government effectiveness while controlling for military spending, GDP, population, and polity as control variables. Poverty was removed from model 3 to determine if poverty became a more significant variable while holding the other variables constant.

2. Foreign Aid Models

The foreign aid models for DOD, DOS, and USAID all followed the same basic logistic model form. The researchers scrutinized the foreign assistance datasets for each agency for each of the nine categories of foreign aid arranging them by total projects and cost before organizing them by country and year. After the researchers summed the projects by cost and count, they were merged with the internal conflict dataset as well as the WDI dataset. To assess effects from aid that might occur over multiple years following the start of a project, the researchers opted to use the incidence of conflict as the dependent variable, which records each year of conflict as opposed to the just the year the conflict started.

To create the cost models, the researchers created six different formula cost models that were included in analyzing the cost effectiveness of the categories for the DOD, DOS, and USAID. Formula cost v1 used the incidence of conflict as the dependent variable and included total cost, GDP, population, and polity2 as the independent variables. Formula Cost v2 included all the variables from formula cost model 1 and added the lag variable for the incidence of conflict from the previous five years. Cost formula v3 added peace and security cost , health cost , democracy cost, economic cost, education cost, and humanitarian assistance cost to Formula Cost v2. Cost formula v4 added education cost + 1 to Formula Cost v2. Cost Formula v5 added democracy cost to Formula cost v2. Cost Formula v6 added peace and security cost to Formula cost v2.

To create the count models, the researchers created five different formula count models. The count models were included in analyzing the effectiveness of the number of projects for the categories performed by the DOD, DOS, and USAID. Formula count v1 used the incidence of conflict as the dependent variable and included total count, GDP, population, and polity2 as the independent variables. Formula Count v2 included all the variables from formula count model 1 and added the lag variable for the incidence of conflict from the previous five years. Cost formula v3 added peace and security count, health count, democracy count, economic count, education count, and humanitarian assistance count to Formula Count v2. Cost formula v4 added peace and security count to Formula Count v2. Cost Formula v5 added health count to Formula cost v2.

a. Department of Defense Model

The initial model for the DOD foreign aid cost consisted of using six of the nine aid categories: peace and security, health, democracy, education, economic, and humanitarian assistance. The researchers used these independent variables to determine the relationship between the cost of each category and the incidence of conflict, while controlling for GDP, population, polity, and the lag variable for the incidence of conflict from the previous five years. Upon completion of the initial cost regression, the researchers determined that the education cost variable had the strongest correlation to the incidence of conflict. The researchers used Formula Cost v4 as a result of this finding.

In addition to analyzing the cost of the projects and their impact on the internal conflict, the researchers used the total count of each category. Once again, the researchers used the total count of each of the six categories as independent variables while controlling for GDP, population, polity, and the lag variable for the incidence of conflict from the previous five years. However, the initial cost regression determined the need to use Formula count v5 to analyze the number of health projects in relation to the incidence of conflict.

b. Department of State Model

The initial model for the DOS foreign aid cost consisted of using six of the nine aid categories: peace and security, health, democracy, education, economic, and humanitarian assistance. The researchers used these independent variables to determine the relationship between the cost of each category and the incidence of conflict, while controlling for GDP, log of population, polity, and the lag variable for the incidence of conflict from the previous five years. Upon completion of the initial cost regression, the researchers determined that the peace and security cost variable had the strongest correlation to the incidence of conflict. The researchers used Formula Cost v6 as a result of this finding.

In addition to analyzing the cost of the projects and their impact on the internal conflict, the researchers used the total count of each category. Again, the researchers used the total count of each of the six categories as independent variables while controlling for

GDP, population, polity, and the lag variable for the incidence of conflict from the previous five years. However, the initial count regression determined the need to use Formula count v4 to analyze the number of peace and security projects in relation to the incidence of conflict.

c. USAID Model

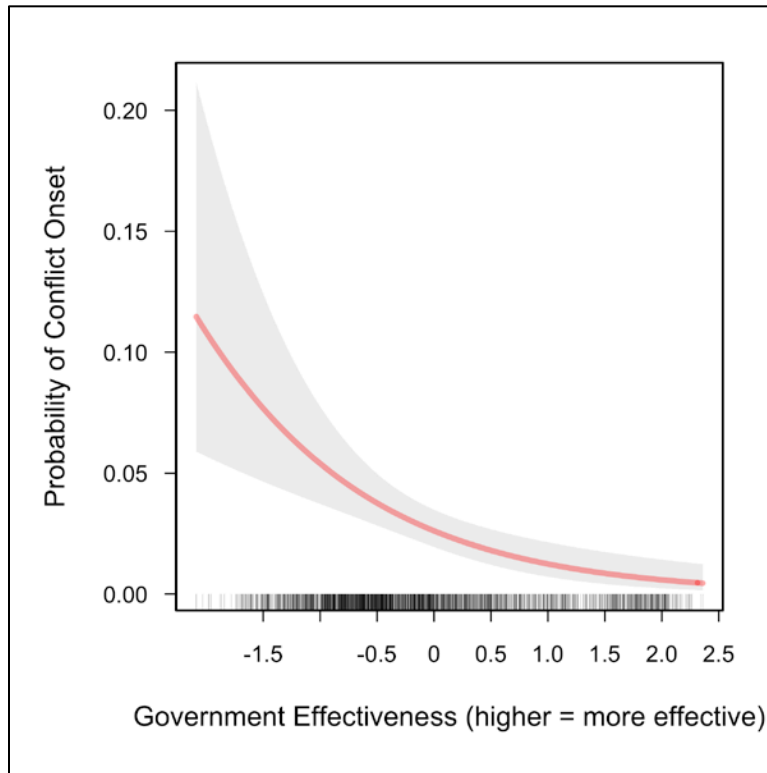
The initial model for USAID foreign aid cost consisted of using six of the nine aid categories: peace and security, health, democracy, education, economic, and humanitarian assistance. The researchers used these independent variables to determine the relationship between the cost of each category and the incidence of conflict, while controlling for GDP, log of population, polity, and the lag variable for the incidence of conflict from the previous five years. Upon completion of the initial cost regression, the researchers determined that the democracy cost variable had the strongest correlation to the incidence of conflict. The researchers used Formula Cost v5 as a result of this finding.

The researchers also analyzed the count of the projects and their impact on the internal conflict, the researchers used the total count of each category. Again, the researchers used the total count of each of the six categories as independent variables while controlling for GDP, population, polity, and the lag variable for the incidence of conflict from the previous five years. However, the initial count regression determined the need to use Formula count v4 to analyze the number of peace and security projects in relation to the incidence of conflict.

V. REGRESSION RESULTS

A. STABILITY INDICATORS: PRECURSOR TO FOREIGN AID?

The initial model analyzing which stability indicators have a strong negative correlation with internal conflict is the basis for the analysis of the effectiveness of the foreign aid models. Analyzing the headcount poverty ratio, primary education level, government effectiveness, rule of law, while controlling for military spending, GDP, population, and polity indicators demonstrated which indicators proved most effective in reducing the onset of internal conflict. Government effectiveness was the most significant indicator in reducing the onset of internal conflict with a p-value=0.0000664. Therefore, the model predicts with 99.9 percent confidence that government effectiveness has a strong negative correlation to the onset of internal conflict, as seen in Figure 2. (See Appendix A for complete regression results of the stability indicators as a precursor to foreign aid).



As government effectiveness increases, the probability of internal conflict decreases. The x-axis represents the quality of government effectiveness ranging from -2.0 to 1 (-2.0 being ineffective and 1 being highly effective). The gray shaded area represents the 95% confidence interval. The y-axis represents the probability of the onset of internal conflict (0 being no conflict and 1 being total conflict).

Figure 2. Government Effectiveness and the Probability of Conflict Onset

Figure 2 clearly illustrates that as governments become increasingly effective, their incidence of internal conflict sharply decreases. The x-axis represents the quality of government effectiveness ranging from -2.0 to 2.5 (-2.0 being ineffective and 2.5 being highly effective). The gray shaded error represents the margin of error due to fewer available observations of the government effectiveness indicator. The y-axis represents the probability of the onset of internal conflict (0 being no conflict and 0.2 being conflict). Therefore, one would expect the USG to focus on democracy and governance projects as well as program management to improve government effectiveness in the countries in which U.S. foreign aid is implemented.

Education levels also had a strong negative relationship to the onset of internal conflict. Although not quite as significant as government effectiveness, education showed that countries with individuals (both male and female) 15 years and younger who received a primary education had less of a chance of plunging into internal conflict. The primary education indicator measured a $p\text{-value} = 0.0545$. Therefore, the model predicts with 95 percent confidence primary education has a strong negative correlation to the onset of internal conflict.

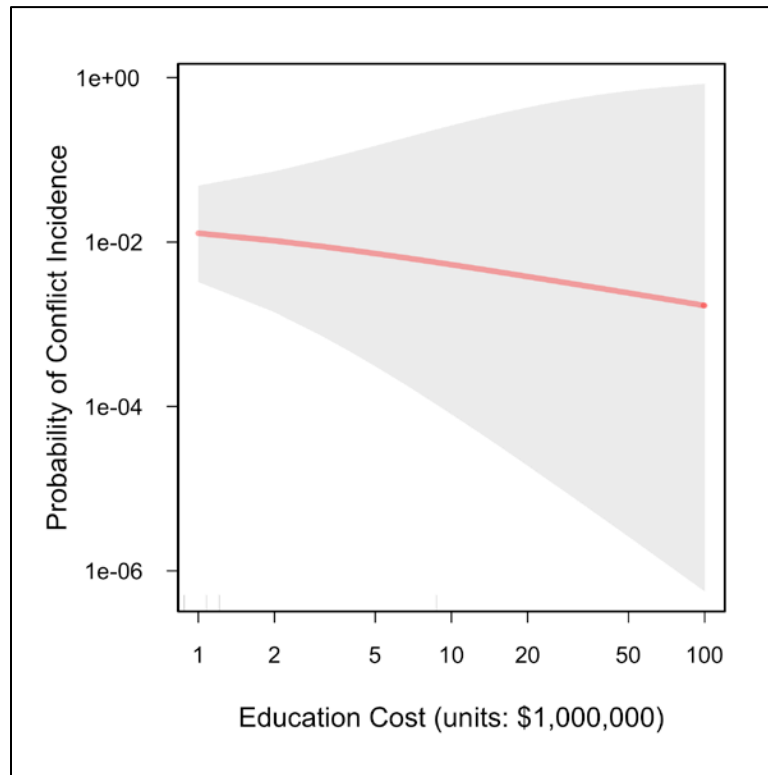
As a result of the analysis of the stability indicators, it seems that the United States should focus more of its efforts on programs that will increase government effectiveness and primary education instead of programs such as health, rule of law, and economic development to reduce poverty. Although the latter programs may help a country move into a first world or developed country, they do not appear to be contributing to reducing the onset of internal conflict. Therefore, they are not contributing to the stabilization of a country.

B. DEPARTMENT OF DEFENSE FOREIGN AID

Spending over \$21.66 billion from 2011 to 2015, the DOD implemented six categories of foreign aid including humanitarian assistance, peace and security, democracy, human rights and governance, health, education, and economic projects. The projects were measured, both in cost and total number of projects implemented per category, to determine which category of projects had the strongest relationship with the onset of internal conflict.

Education project costs, although not particularly strong, had the strongest positive relationship with the incidence of internal conflict as compared to all other category project costs. It was the most significant with a $p\text{-value} = 0.113044$ (See Appendix B for complete regression results). Therefore, the model predicts with approximately 88 percent confidence that education projects have a positive correlation to the incidence of internal conflict when compared to the other categories of foreign aid. The DOD spent \$123.37 million from 2011 to 2015 on education projects. Figure 3 shows how the incidence of internal conflict appears to weakly decrease as the DOD

spends more on education projects, though the relatively high p-value, reflected in the wide confidence bands, indicates there is little statistical confidence in the relationship. (See Appendix B for complete regression results of the DOD foreign aid costs.)

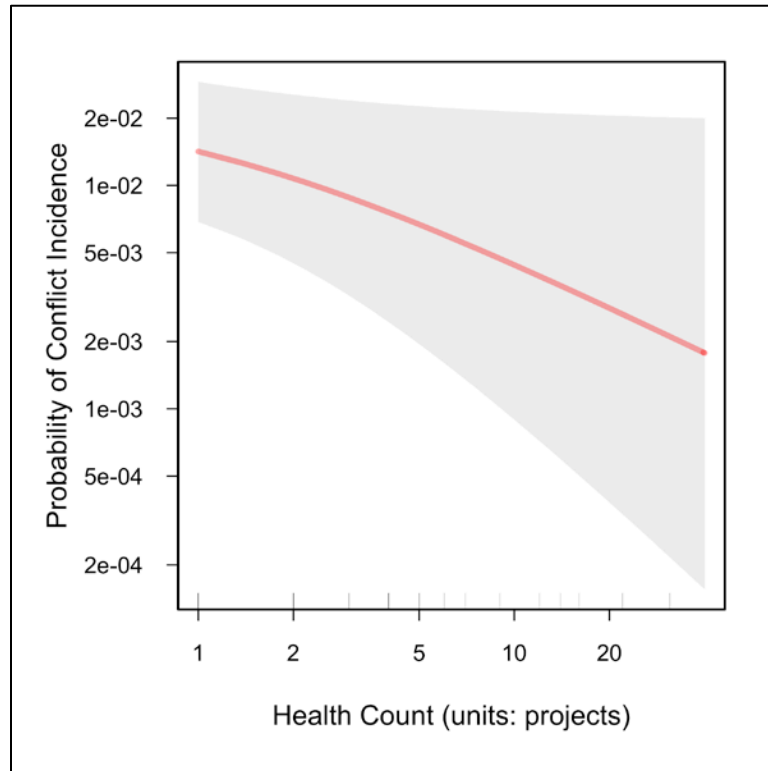


Internal conflict decreases with more money spent on education projects. The x-axis represents the cost of education projects performed within a year. The gray shaded area represents the 95% confidence interval. The y-axis represents the probability of the onset of internal conflict (0 being no conflict and 1 being total conflict).

Figure 3. DOD Education Costs and the Probability of Conflict Incidence

However, when considering the number of projects rather than the cost, the total count of health projects was the most significant variable when compared to the number of projects from the other categories. The DOD implemented 568 health projects from 2011 to 2015. The health project count had a coefficient of -0.73165 and a p-value of 0.07864. Therefore, the model predicts with 90 percent confidence that health projects have a negative correlation to the incidence of internal conflict. Consequently, as the

number of projects for health increases, the likelihood of the incidence of internal conflict decreases, as seen in Figure 4.



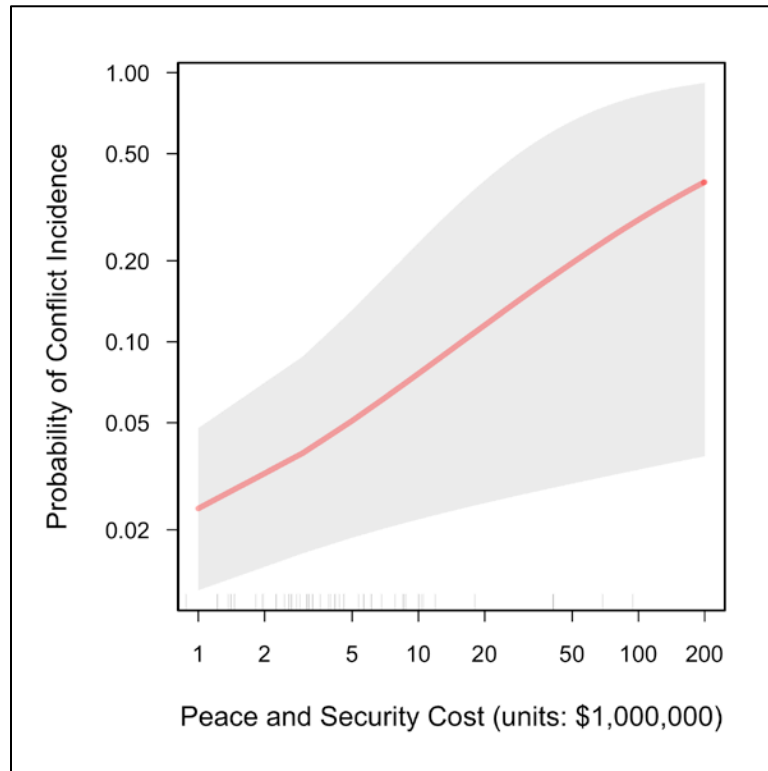
Internal conflict gradually decreases as more health projects are implemented. The x-axis represents the number of health projects performed within a year. The gray shaded area represents the 95% confidence interval. The y-axis represents the probability of the onset of internal conflict (0 being no conflict and 1 being total conflict).

Figure 4. DOD Health Project Count and the Probability of Conflict Incidence

C. DEPARTMENT OF STATE FOREIGN AID

Spending over \$34.2 billion and implementing 116,109 projects from 2012 to 2015, the DOS implemented eight categories of foreign aid including humanitarian assistance, peace and security, democracy, human rights and governance, health, program management, economic, and multi-sector projects. The projects were measured, in both cost and total number of projects implemented per category, to determine which category of projects had the strongest relationship with the onset of internal conflict.

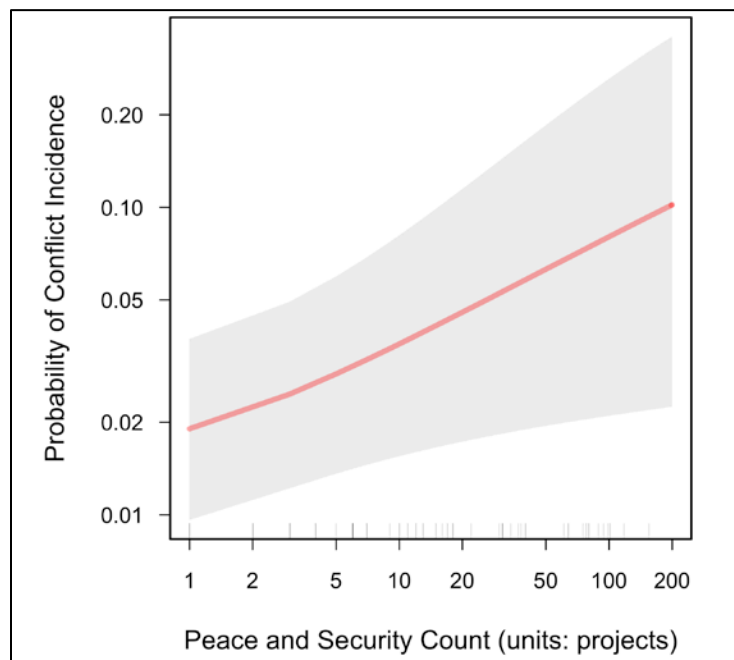
Peace and security project costs had the strongest positive correlation with the incidence of internal conflict with a p-value = 0.012512. Therefore, the model predicts with 99 percent confidence that health and security project costs have a strong positive correlation to the incidence of internal conflict. The DOS spent \$7.3 billion from 2012 to 2015 on peace and security projects. Therefore, in four years, the DOS spent over 50 times the amount spent by the DOD in same period. According to our results, both DOD and DOS spending levels had little positive impact on reducing internal conflict. Moreover, it appears that DOS spending on peace and security programs may actually generate increased levels of conflict. Figure 5 shows how that while cost of peace and security projects increases, the incidence of internal conflict also increase.



Internal conflict gradually increasing as peace and security project cost increase. The x-axis represents the cost of peace and security projects performed within a year. The gray shaded area represents the 95% confidence interval. The y-axis represents the probability of the onset of internal conflict (0 being no conflict and 1 being total conflict).

Figure 5. DOS Peace and Security Project Cost and the Probability of Conflict Incidence

The total count of peace and security projects was also a significant variable when compared to the number of projects from the other categories. The DOS implemented 64,132 peace and security projects from 2012 to 2015. The peace and security project count had a p-value= 0.073537. Therefore, the model predicts with 90 percent confidence that DOS peace and security projects have a positive correlation to the incidence of internal conflict. (See Appendix C for the complete Foreign Aid Project Count regression results.) However, it is important to remember that it is possible DOS peace and security projects were implemented *after* the incidence of internal conflict to mitigate violence and conflict which had already erupted. Figure 6 shows that while the number of peace and security projects increases, the incidence of internal conflict also increases.



Internal conflict gradually increasing as more peace and security projects are implemented. The x-axis represents the number of humanitarian assistance projects performed within a year. The gray shaded area represents the 95% confidence interval. The y-axis represents the probability of the onset of internal conflict (0 being no conflict and 1 being total conflict).

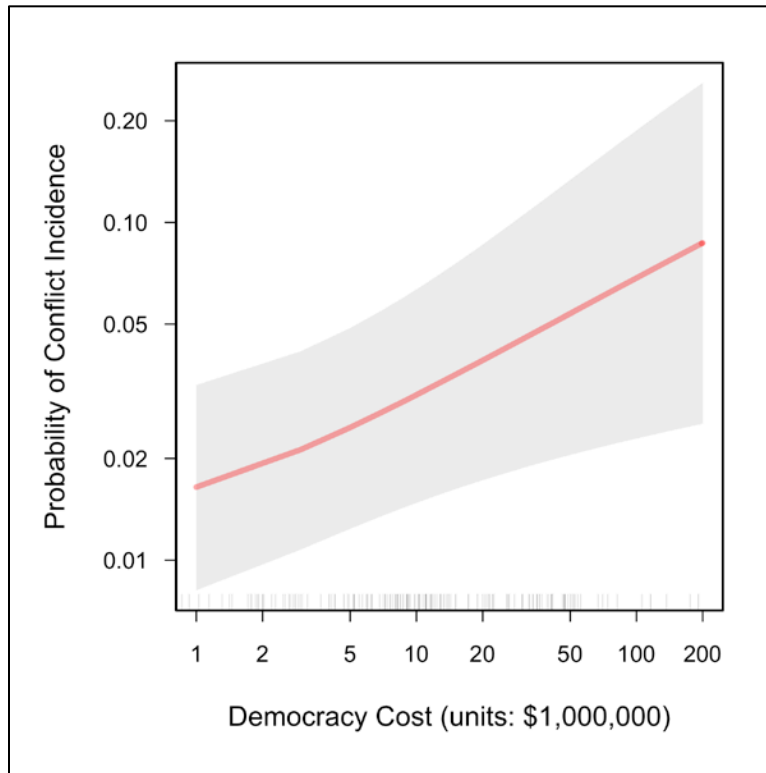
Figure 6. DOS Peace and Security Project Cost and the Probability of Conflict Incidence

D. UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT

Spending over \$115.7 billion from 2013 to 2015, USAID implemented five categories of foreign aid, including humanitarian assistance, peace and security, democracy, human rights and governance, education, and economic projects. The projects were measured, in both cost and total number of projects implemented per category, to determine which category of projects had the strongest relationship with the onset of internal conflict.

Democracy project costs, followed closely by peace and security project costs, had the strongest positive correlation with the incidence of internal conflict compared to all other category project costs. Democracy was the most significant category with a $p\text{-value} = 0.06824$. Therefore, the model predicts with over 90 percent confidence that democracy project costs had a positive correlation to the onset of internal conflict when compared to the other categories of foreign aid. The USAID spent \$7.54 billion from 2013 to 2015 on democracy projects. Figure 7 shows how the likelihood of internal conflict appears to increase as the USAID spends more money on democracy projects.

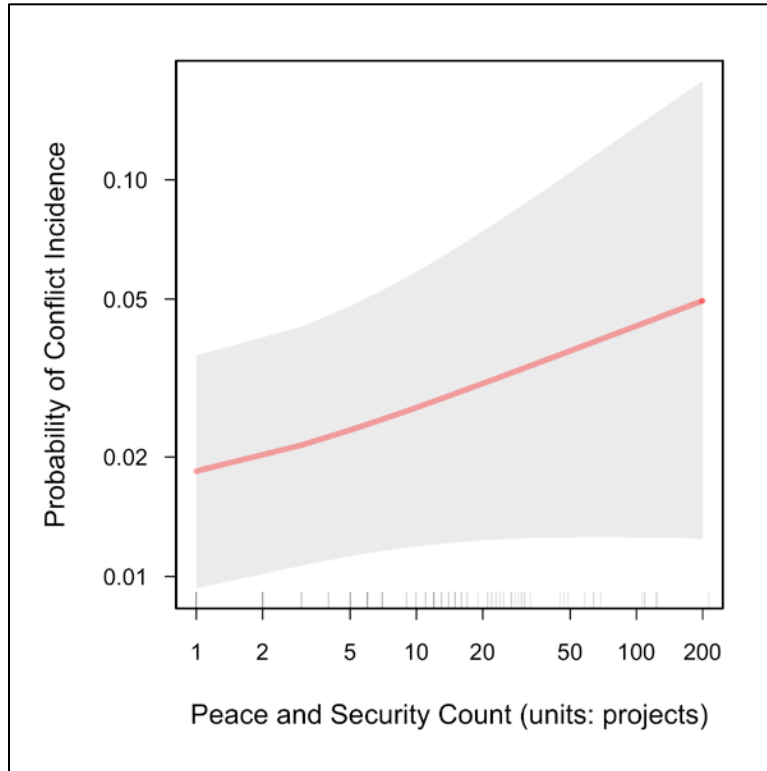
Peace and security project costs had the second strongest positive relationship with the incidence of internal conflict, with a $p\text{-value} = 0.07159$. Therefore, the model predicts with over 90 percent confidence that peace and security project costs had a positive correlation to the onset of internal conflict when compared to the other categories of foreign aid. The USAID spent \$3.4 billion from 2013 to 2015 on peace and security projects. This runs counter to the notion that peace and security projects should prevent internal conflict and ease the suffering for citizens of a country during a time of conflict. (See Appendix B for complete regression results of the USAID foreign aid). Similar to DOS, it is important to remember that USAID peace and security projects may have been implemented *after* the initial incidence of internal conflict to mitigate ongoing violence and conflict. It may also be possible that as conflict continues, increasing peace and security projects actually promote further conflict.



As democracy costs increase so does the incidence of internal conflict. The x-axis represents the total cost of democracy projects performed within a year. The gray shaded area represents the 95% confidence interval. The y-axis represents the probability of the incidence of internal conflict (0 being no conflict and 1 being total conflict).

Figure 7. USAID Democracy Cost and the Probability of Conflict Incidence

The total count of peace and security projects was also a significant variable when compared to the number of projects from the other categories. USAID implemented 5,123 peace and security projects from 2013 to 2015. The peace and security project count had a p-value= 0.112654. Therefore, the model predicts with approximately 89 percent confidence that USAID peace and security projects have a positive correlation to the incidence of internal conflict. (See APPENDIX C for the complete Foreign Aid Project Count regression results.) However, it is important to remember that it is possible USAID peace and security projects were implemented *after* the incidence of internal conflict to mitigate violence and conflict which had already erupted. Figure 8 shows how that while the number of USAID peace and security projects increases, the incidence of internal conflict also increase.



Internal conflict gradually increasing as more peace and security projects are implemented. The x-axis represents the number of humanitarian assistance projects performed within a year. The gray shaded area represents the 95% confidence interval. The y-axis represents the probability of the onset of internal conflict (0 being no conflict and 1 being total conflict).

Figure 8. USAID Peace and Security Count and the Probability of Conflict Incidence

VI. CONCLUSION

While not always the case, the onset of conflict can be a precursor to the decay of a nation-state and may even culminate in becoming a failed state. In Western security policy thinking, it has become conventional wisdom that poor state performance—generally referred to using terms such as “weak” or “fragile” states, “failing” or “failed” states—and violent conflicts are closely related. State fragility is seen to engender violent conflict, which in turn can lead to state failure or even collapse. Moreover, regions of state fragility are perceived as breeding grounds and safe havens for transnational terrorism, weapons proliferation, and organized crime. Hence, state fragility not only affects the citizens of the state and society in question, but also neighboring states and the international community at large.⁶²

The need to address instability prior to the onset of conflict is extremely important. It is equally as important that the most effective and efficient means are employed by the most efficient and effective agency or organization. In the words of authors Natasha M. Ezrow and Erika Frantz in their book entitled *Failed States and Institutional Decay*, policy makers are concerned, legitimately we suggest, that failed states and the effects of failed states regional boundaries affect the global community at large.⁶³ There are too many examples of insurgent groups using ungoverned spaces in unstable, failing, or failed states to plan and practice attacks on the United States and American interests. These attacks have been executed on American soil and on American interests abroad. They have been perpetrated against allies of the United States as well as states that are not friendly to the United States. The attacks on the USS *Cole*, the World Trade Center, and the spread of ISIS are examples that failed and failing states represent a clear and present danger to the United States of America, its allies, and every sovereign nation across the globe. Foreign aid is not going to prevent attacks on the United States,

⁶² Volker M. Boege Anne Brown, and Kevin P. Clements, “Hybrid Political Orders, Not Fragile States,” *Peace Review: A Journal of Social Justice* 21, no. 1 (2009): 13–21, doi: 10.1080/10402650802689997.

⁶³ Natasha M. Ezrow and Erika Frantz, *Failed States and Institutional Decay: Understanding Instability and Poverty in the Developing World* (New York: Bloomsbury Academic, 2013).

nor will foreign aid alone bolster state stability enough to ensure that every sovereign nation will survive. Foreign aid must be nested within each foreign policy initiative, military action, and diplomatic engagement.

The empirical findings in the research and analysis that the authors have conducted reinforces the assertion that extreme poverty does not inherently lead to state-instability or the onset of conflict. The United States has spent hundreds of millions of dollars in foreign aid interventions across the globe in the health, environmental, rule of law, and general economic development sectors. This research has found virtually no positive relationship between the monies spent on foreign aid interventions in these sectors and mitigation of internal state conflict or stymieing its onset. If the intent of disseminating foreign aid is strictly philanthropic, designed primarily to alleviate human suffering, a case can be made that each and every intervention is an efficient, effective, and positive one. One fewer hungry mouth, each additional woman with access to prenatal care, each additional job created for an individual who did not previously have one is an improvement and a success when positive intervention is itself the desired end state. From a strictly philanthropic perspective, the United States has had an impact on three-quarters of the sovereign nations on the globe,⁶⁴ disseminating hundreds of billions of dollars in foreign aid and assisting hundreds of millions of people. As a means of building state stability, mitigating conflict, and as an extension of foreign policy, our research indicates that U.S. foreign aid allocations have been considerably less effective and have had little positive impacts. Therefore, considerable adjustments should be implemented.

As an extension of foreign policy, it appears that foreign aid allocations spent in the government effectiveness and education sectors will be most effective at increasing state stability. If foreign aid allocations are not simply philanthropic, the United States should consider significant revisions to its foreign aid policy. While we will address each individually, we propose two key areas that must be reconsidered. First and foremost, if foreign aid monies allocated to particular sectors are not effective, allocations to those

⁶⁴ Amoros, “The United States Spends \$35 Billion on Foreign Aid.”

sectors should be reduced or terminated, and the monies reallocated to sectors that have significant positive impacts. Secondly, the United States must become considerably more selective in the countries selected to receive foreign aid.

The quantitative portion of this analysis considered the effects of foreign aid interventions in nine sectors: peace and security, democracy, human rights and governance, health, education and social services, economic development, environment, humanitarian assistance, program management, and multi-sector. Of the nine categories, two categories (education cost and the number of health projects performed by the DOD) had a negative relationship to the incidence of internal conflict. The model indicated these categories slightly reduced the incidence of internal conflict. However, the model also indicated a strong relationship did not exist. Additionally, the models indicated that DOS peace and security costs and count had a strong, positive relationship with the incidence of conflict. The models also indicated USAID democracy project costs and the number of peace and security projects performed had a strong, positive relationship with the incidence of conflict. Considering the millions of dollars spent on each category by each aid organization, it is expected to see a strong, negative relationship between the categories implemented and the incidence of conflict (projects implemented should reduce the incidence of conflict). The models suggest these activities may actually provoke internal conflict. Therefore, why is the USG spending millions of dollars on these activities without the benefit of reducing internal conflict and thus increasing stability?

Additionally, this research shows that government effectiveness and education had the most significant relationship with the onset of internal conflict. Therefore, it can be expected that governance programs aimed at increasing government effectiveness and education programs would be the most effective projects. However, the results suggest these types of projects have little impact on internal conflict. It may be possible that the USG is not as effective as it thinks at implementing these types of projects. Responsible individuals must prepare to make difficult decisions. From a global perspective, research indicates that this implies spending less in sectors like health and the environment and more in the education and governance sectors. While neither will have an instantaneous

positive impact, they are investments in the future. Finally, executors of foreign assistance should not look at the effectiveness of foreign aid at a global level but at a state level, and if possible, at a regional level within the state.

When the appropriate analysis is conducted to determine which sectors should be invested in, the next gate is to ensure that the potential recipient country is a viable recipient. Assuming that the primary sectors to invest foreign aid monies in are the sectors that our quantitative analysis suggested are the most effective, education and governance, a requisite analysis must be conducted to determine that the potential recipient country has the infrastructure and capacity to benefit from the foreign aid intervention. Returning to our previous example of South Sudan, we suggest that additional analysis must be conducted to determine if foreign aid should continue to be allocated to the GoSS directly. Though investment in primary education may prove beneficial, we suggest that any type of intervention should be very closely monitored. If permissible, foreign aid monies allocated through an independent entity, as opposed to through the central government, would increase transparency; a valuable quality, especially in a country that has exploited its youth in the form of child soldiers.

In closing, in the contemporary environment in which each agency and organization is being asked to be effective, albeit with fewer personnel, less monies, and fewer resources, we implore foreign aid policy makers, executors, and implementers to disseminate foreign aid efficiently and with a purpose. Each member of the Department of Defense, Department of State, and the United States Agency for International Development must serve as a responsible stewards of government resources. Additionally, the American taxpayer expects results. While the American taxpayer might support humanitarian assistance intervention in certain circumstances, it should not be in perpetuity, and foreign aid must be allocated responsibly. Foreign aid allocations should result in positive results: increased security, mutually beneficial relationships, and stronger allies.

APPENDIX A. STABILITY INDICATORS: PRECURSOR TO FOREIGN AID

The complete regression results of the stability indicators as a precursor to foreign aid are listed in the following table. In the table, note: *p**p***p<0.01.

Dependent Variable: Civil Conflict Onset	(1)	(2)	(3)
government_effectiveness	-0.7545*** (0.1892)	-0.6271** (0.2971)	-0.7912 (0.4968)
poverty_ratio		-0.0071 (0.0099)	
rule_of_law			-0.5069 (0.4141)
log(military_spending + 1)	1.1013*** (0.1578)	1.0389*** (0.2189)	0.4863** (0.2056)
log(primary_edu_all + 1)	-0.6522* (0.3391)	-1.3743** (0.5718)	-1.0735** (0.4296)
log(gdp)	-0.2316** (0.0977)	-0.2663* (0.1560)	0.0520 (0.1501)
log(pop)	0.5969*** (0.0584)	0.7703*** (0.0906)	0.4230*** (0.1054)
polity2	0.0426** (0.0175)	0.0386 (0.0283)	-0.0048 (0.0327)
Constant	-9.6846*** (1.7435)	-8.8189*** (3.2493)	-6.7250*** (2.5219)
Observations	2,641	1,207	858
Log Likelihood	-504.7005	-271.8442	-238.0155
Akaike Inf. Crit.	1,023.4010	559.6884	492.0309

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APPENDIX B. FOREIGN AID COST

The complete regression results of foreign aid cost are shown in the following table. The models were altered by adding a variable that controlled for the previous five years of conflict noted as (incidence_sum5yr_lag1yr). In the table, note:
*p**p***p<0.01.

Dependent Variable: Civil Conflict Incidence	DOD				DoS				USAID			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
log(total_cost + 1)	0.1922* (0.0990)	0.0556 (0.1577)			0.3629*** (0.1335)	0.4026* (0.2208)			0.0854 (0.0530)	0.0761 (0.0766)		
log(Peace_and_Security_cost + 1)			0.0945 (0.1762)				0.5736* (0.3471)	0.7088** (0.2838)			0.4546* (0.2523)	
log(Health_cost + 1)			-0.1708 (0.3226)				-0.1067 (0.6600)				0.0090 (0.2253)	
log(Democracy_cost + 1)			13.0199 (452.8329)				0.3766 (0.5925)				0.5513* (0.3024)	0.3772*** (0.1406)
log(Economic_cost + 1)			-1.8642 (4.4667)								-0.3333 (0.2819)	
log(Education_cost + 1)			-3.2073 (2.0240)	-0.5191 (0.8824)							0.1161 (0.3157)	
log(Humanitarian_Assistance_cost + 1)			-0.0601 (0.5250)				-4,207.2290 (453,551.0000)				-0.2439 (0.1793)	
log(gdp)	-0.3248*** (0.0985)	-0.2727* (0.1437)	-0.3016** (0.1458)	-0.2825** (0.1409)	-0.3416*** (0.0978)	-0.2679* (0.1437)	-0.2940** (0.1488)	-0.2669* (0.1449)	-0.3156*** (0.1010)	-0.2496* (0.1458)	-0.2852* (0.1626)	-0.2072 (0.1472)
log(pop)	0.8308*** (0.1030)	0.4292*** (0.1384)	0.4337*** (0.1390)	0.4308*** (0.1382)	0.8398*** (0.1030)	0.4226*** (0.1373)	0.4365*** (0.1401)	0.4403*** (0.1380)	0.8349*** (0.1034)	0.4215*** (0.1389)	0.3869*** (0.1466)	0.3858*** (0.1392)
polity2	-0.0297 (0.0245)	-0.0371 (0.0365)	-0.0369 (0.0368)	-0.0369 (0.0364)	-0.0284 (0.0248)	-0.0393 (0.0367)	-0.0434 (0.0375)	-0.0396 (0.0371)	-0.0273 (0.0245)	-0.0369 (0.0365)	-0.0506 (0.0380)	-0.0434 (0.0369)
incidence_sum5yr_lag1yr		1.0746*** (0.1029)	1.0910*** (0.1062)	1.0849*** (0.1036)		1.0816*** (0.1039)	1.1211*** (0.1082)	1.0896*** (0.1045)		1.0740*** (0.1025)	1.1473*** (0.1172)	1.1097*** (0.1070)
Constant	13.1798*** (1.8052)	8.4052*** (2.4020)	-8.1681*** (2.4114)	8.2976*** (2.4057)	13.1579*** (1.8072)	8.4422*** (2.3872)	-8.5107*** (2.4288)	8.7716*** (2.4063)	13.2899*** (1.8091)	8.5481*** (2.4215)	7.9037*** (2.5370)	-8.5248*** (2.4260)
Observations	629	628	628	628	629	628	628	628	629	628	628	628
Log Likelihood	-197.0628	-105.3149	-103.6905	-105.2261	-195.2973	-103.6557	-99.1841	-102.2760	-197.6003	-104.8839	-98.3318	-101.6948
Akaike Inf. Crit.	404.1256	222.6297	229.3810	222.4522	400.5946	219.3114	216.3682	216.5520	405.2005	221.7677	218.6635	215.3896

APPENDIX C. FOREIGN AID COUNT

The complete regression results of DOS foreign aid are listed in the following table. The initial models were altered by adding a variable that controlled for the previous five years of conflict noted as (incidence_sum5yr_lag1yr). In the table, note:
*p**p***p<0.01.

Dependent Variable: Civil Conflict Incidence	DOD				DoS				USAID			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
log(total_cnt + 1)	-0.0159 (0.1913)	-0.2596 (0.2753)			0.1443* (0.0779)	0.1726 (0.1173)			0.0274 (0.0447)	0.0402 (0.0649)		
log(Peace_and_Security_cnt + 1)			0.0187 (0.4395)				0.3728* (0.2083)	0.3829** (0.1624)			0.2423 (0.2324)	0.2213 (0.1395)
log(Health_cnt + 1)			-0.7316* (0.4160)	-0.6916** (0.3461)			0.1541 (0.3752)				-0.1038 (0.2297)	
log(Democracy_cnt + 1)			8.4296 (548.4807)				0.0157 (0.3577)				0.0648 (0.2931)	
log(Economic_cnt + 1)			-0.0530 (0.8493)								0.3010 (0.3533)	
log(Education_cnt + 1)			-0.0556 (0.5770)								-0.2701 (0.3248)	
log(Humanitarian_Assistance_cnt + 1)			0.1881 (0.4867)				-14.6995 (1,209.2050)				-0.0750 (0.1809)	
log(gdp)	-0.3686*** (0.0991)	-0.3105** (0.1433)	-0.3333** (0.1487)	-0.3406** (0.1447)	-0.3481*** (0.0975)	-0.2753* (0.1435)	-0.2830* (0.1489)	-0.2684* (0.1448)	-0.3493*** (0.0994)	-0.2646* (0.1445)	-0.2766* (0.1532)	-0.2396* (0.1448)
log(pop)	0.8597*** (0.1033)	0.4480*** (0.1405)	0.4249*** (0.1419)	0.4324*** (0.1392)	0.8435*** (0.1025)	0.4176*** (0.1375)	0.4578*** (0.1439)	0.4603*** (0.1398)	0.8514*** (0.1033)	0.4264*** (0.1386)	0.4399*** (0.1449)	0.4272*** (0.1389)
polity2	-0.0259 (0.0250)	-0.0288 (0.0374)	-0.0236 (0.0385)	-0.0213 (0.0376)	-0.0245 (0.0247)	-0.0342 (0.0366)	-0.0404 (0.0377)	-0.0365 (0.0370)	-0.0264 (0.0245)	-0.0362 (0.0364)	-0.0333 (0.0374)	-0.0386 (0.0365)
incidence_sum5yr_lag1yr		1.0888*** (0.1040)	1.1138*** (0.1082)	1.1145*** (0.1073)		1.0850*** (0.1039)	1.1221*** (0.1083)	1.0880*** (0.1042)		1.0785*** (0.1025)	1.0915*** (0.1075)	1.0687*** (0.1027)
Constant	-13.1118*** (1.8105)	-8.1300*** (2.4372)	-7.6839*** (2.4411)	-7.7167*** (2.4408)	-13.1683*** (1.7980)	-8.3138*** (2.3841)	-8.9905*** (2.5048)	-9.1141*** (2.4479)	-13.2060*** (1.8019)	-8.4715*** (2.4145)	-8.6599*** (2.5178)	-8.7296*** (2.4460)
Observations	629	628	628	628	629	628	628	628	629	628	628	628
Log Likelihood	-198.8844	-104.9319	-102.9805	-103.3229	-197.2405	-104.3056	-99.7085	-102.6415	-198.7010	-105.1855	-102.9916	-104.1330
Akaike Inf. Crit.	407.7688	221.8637	227.9610	218.6459	404.4810	220.6113	217.4170	217.2829	407.4019	222.3710	227.9832	220.2660

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